

WEBSTER IRRIGATION DISTRICT NO. 4

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2012

**MARY E. ANDERSON
Certified Public Accountant
Osborne, Kansas**

WEBSTER IRRIGATION DISTRICT NO. 4
FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Webster Irrigation District No. 4
Gaylord, Kansas

We have audited the accompanying financial statements prepared on the statutory basis of accounting of Webster Irrigation District No. 4 (a Kansas quasi-municipality) as of and for the year ended December 31, 2012, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note A, Webster Irrigation District No. 4 has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas on the statutory basis, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.


In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Webster Irrigation District No. 4 as of December 31, 2012, or the changes in its financial position for the year then ended.

In our opinion, the financial statements prepared on the statutory basis referred to above present fairly, in all material respects, the cash and unencumbered cash balances of Webster Irrigation District No. 4, as of December 31, 2012, and their respective cash receipts and disbursements, and budgetary results for the year then ended, on the basis of accounting described in Note A.

Our audit was conducted for the purpose of forming an opinion on the financial statements prepared on the statutory basis that collectively comprise Webster Irrigation District No. 4's basic financial statements. The schedule of expenditures compared with budget is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures compared with budget has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material, respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the use of the Board and management and the cognizant federal and state agencies and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which upon acceptance by Webster Irrigation District No. 4 is a matter of public record.

August 28, 2013


Mary E. Anderson
Certified Public Accountant

WEBSTER IRRIGATION DISTRICT NO. 4

SUMMARY OF CASH RECEIPTS, CASH DISBURSEMENTS, AND UNENCUMBERED CASH

For the Year Ended December 31, 2012

<u>Fund</u>	<u>Beginning</u> <u>Unencumbered</u> <u>Cash Balance</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending</u> <u>Unencumbered</u> <u>Cash Balance</u>	<u>Outstanding</u> <u>Encumbrances</u> <u>and Accounts</u> <u>Payable</u>	<u>Ending Cash</u> <u>Balance</u>
General Fund	\$ 98,866	\$ 318,820	\$ 273,939	\$ 143,747	\$ -	\$ 143,747
Grant Fund	-	-	-	-	-	-
Repayment Fund	82,439	16,051	2,704	95,786	-	95,786
Total Reporting Entity	\$ 181,305	\$ 334,871	\$ 276,643	\$ 239,533	\$ -	\$ 239,533

Composition of cash:

Demand deposit accounts:

The Farmers Bank, Gaylord, KS

Money market accounts:

The Farmers Bank, Gaylord, KS

Certificates of deposit:

The Farmers Bank, Gaylord, KS

\$	4,685
	152,267
	<u>82,581</u>
\$	<u>239,533</u>

The notes to the financial statements are an integral part of this statement.

WEBSTER IRRIGATION DISTRICT NO. 4

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2012

<u>Fund</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Favorable (Unfavorable)</u>
General Fund	\$ 262,172	\$ 32,230	\$ 294,402	\$ 273,939	\$ 20,463
Repayment Fund	<u>20,488</u>	<u>-</u>	<u>20,488</u>	<u>2,704</u>	<u>17,784</u>
	<u>\$ 282,660</u>	<u>\$ 32,230</u>	<u>\$ 314,890</u>	<u>\$ 276,643</u>	<u>\$ 38,247</u>

The notes to the financial statements are an integral part of this statement.

WEBSTER IRRIGATION DISTRICT NO. 4

GENERAL FUND
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Cash Receipts			
Special Assessment -			
County Treasurer	\$ 285,736	\$ 271,235	\$ 14,501
Interest	816	-	816
Miscellaneous	38	-	38
Reimbursements - Other	32,230	-	32,230
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Total Cash Receipts	<u>318,820</u>	<u>\$ 271,235</u>	<u>\$ 47,585</u>
Expenditures			
General & Administrative	88,648	\$ 85,200	\$ (3,448)
Other Operating Expenditures	<u>185,291</u>	<u>186,035</u>	<u>744</u>
Certified Budget	<u>273,939</u>	<u>271,235</u>	<u>(2,704)</u>
Adjustment for Qualifying Budget Credits	<u>-</u>	<u>32,230</u>	<u>32,230</u>
Total Expenditures	<u>273,939</u>	<u>\$ 303,465</u>	<u>\$ 29,526</u>
Receipts Over (Under) Expenditures	44,881		
Unencumbered Cash, Beginning	<u>98,866</u>		
Unencumbered Cash, Ending	<u>\$ 143,747</u>		

The notes to the financial statements are an integral part of this statement.

WEBSTER IRRIGATION DISTRICT NO. 4

REPAYMENT FUND
SUMMARY OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Cash Receipts			
Special Assessment -			
County Treasurer	\$ 12,957	\$ 20,488	\$ (7,531)
Interest	390	-	390
Transfer from General Fund	<u>2,704</u>	<u>-</u>	<u>2,704</u>
Total Cash Receipts	<u>16,051</u>	<u>\$ 20,488</u>	<u>\$ (4,437)</u>
Expenditures			
Contract Payment	2,704	2,704	\$ -
Transfer to General Fund	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>2,704</u>	<u>\$ 2,704</u>	<u>\$ -</u>
Receipts Over (Under) Expenditures	13,347		
Unencumbered Cash, Beginning	<u>82,439</u>		
Unencumbered Cash, Ending	<u>\$ 95,786</u>		

The notes to the financial statements are an integral part of this statement.

WEBSTER IRRIGATION DISTRICT NO. 4
SUMMARY OF CHANGES IN LONG-TERM DEBT

For the Year Ended December 31, 2012

<u>Payable To:</u>	<u>Interest Rate</u>	<u>Date of Contract</u>	<u>Amount of Contract</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Payments</u>	<u>Balance End of Year</u>
U.S. Department of Interior							
Article 5B - Water Supply	0%	1/1/2003	\$ 443,084	11/1/2042	\$ 402,108	\$ 15,367	\$ 386,741
Article 6A - Distribution Works	0%	1/1/2003	\$ 303,150	11/1/2042	152,771	2,704	150,067
					<u>\$ 554,879</u>	<u>\$ 18,071</u>	<u>\$ 536,808</u>

The notes to the financial statements are an integral part of this statement.

WEBSTER IRRIGATION DISTRICT NO. 4
SCHEDULE OF MATURITY OF LONG-TERM DEBT

For the Year Ended December 31, 2012

	<u>YEAR</u>					
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>TOTAL</u>
PRINCIPAL						
U.S. Department of Interior	\$ <u>18,071</u>	\$ <u>18,071</u>	\$ <u>18,071</u>	\$ <u>18,071</u>	\$ <u>18,071</u>	\$ <u>536,808</u>

The notes to the financial statements are an integral part of this statement.

WEBSTER IRRIGATION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the statutory basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies:

1. Financial Reporting Entity

The District is a Kansas quasi-municipal corporation organized under the provisions of K.S.A. 42-701 through 730. It is governed by an elected three-member board.

2. Basis of Presentation - Fund Accounting

The accounts of the District are organized and operated on the basis of funds. In governmental accounting, a fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the District for the year ended December 31, 2012:

General Fund - reports as the primary fund of the District. The fund is used to account for all financial resources not reported in other funds.

Repayment Fund - to account for the revenue and expenditures specifically allocable to the repayment obligation for the distribution works.

3. Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For interfund transactions, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

WEBSTER IRRIGATION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Statutory Basis of Accounting (continued)

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c) waiving the requirement for application of generally accepted accounting principles and allowing the District to use the statutory basis of accounting.

4. Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the District are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

5. Accounting for Capital Assets and Depreciation

The District does not maintain a record of capital assets used in performance of general government operations as required by generally accepted accounting principles.

6. Reimbursements

The District records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements.

7. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds.

WEBSTER IRRIGATION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Property Tax Calendar

Property taxes are collected from land owners within the district and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half on May 10th. Major property tax payments are received January through July and are recognized as revenue in the year received.

9. Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as expenditures during the year of purchase as required by state statutes.

10. Compensated Absences

Full time employees will begin with 80 hours of vacation with a maximum of 240 hours that can be accumulated. No vacation leave is paid out upon termination. As of December 31, 2012, the total liability for vacation appears to be immaterial. This total potential liability is not reflected in the financial statements.

Full time employees are also eligible for sick leave. Employees will begin with 40 hours of sick leave with a maximum of 240 hours that can be accumulated. No sick leave is paid out upon termination. As of December 31, 2012, the total liability for sick leave appears to be immaterial. This total potential liability is not reflected in the financial statements.

11. Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the statutory basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - DEPOSITS AND INVESTMENTS

At December 31, 2012 the District's carrying amount of deposits, including certificates of deposit, was \$239,533. The bank balance was covered by FDIC insurance and pledged securities.

The construction contract and amendments with the U.S. Department of the Interior Bureau of Reclamation effective January 1, 2003, among other things, provides for the accumulation and maintenance of two reserve funds.

WEBSTER IRRIGATION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2012

NOTE B - DEPOSITS AND INVESTMENTS (continued)

A Water Supply Reserve Fund is to be maintained to meet extraordinary operation and maintenance costs incurred on the water supply works. Annual deposits of \$1,707 are to be made each year through 2021 and beginning in the year 2022 annual deposits to the fund shall increase to \$10,244 and continue until the funds accumulated reach the ceiling amount of \$247,557. The required balance in this reserve account was \$17,070 at December 31, 2012 and the actual balance was \$20,312 at December 31, 2012.

A Distribution Works Reserve Fund is to be maintained to cover extraordinary operation and maintenance costs incurred on the distribution works. An initial deposit of \$25,000 was to be made followed by annual deposits of \$854 each year through 2021 and beginning in the year 2022 annual deposits to the fund shall increase to \$10,244 and continue until the funds accumulated reach the ceiling amount of \$256,350. In 2004, the District received permission to use \$10,000 from this reserve. Therefore, the required balance in this reserve account was \$23,540 at December 31, 2012 and the actual balance was \$27,767 at December 31, 2012.

NOTE C - LONG-TERM DEBT

A 40-year contract with the U.S. Department of the Interior Bureau of Reclamation was signed on June 20, 2002 with an effective date of January 1, 2003. On December 13, 2005 the first amendment to the contract was signed and on June 8, 2007 the second amendment to the contract was signed. These amendments resulted in a renegotiated payment schedule due to the 2005 annual payment being deferred. Per the contract the District's repayment obligation for the distribution works is payable in two equal semi-annual payments on April 1 and November 1 with the final installment due in 2042. Per the amendments the District shall make distribution works payments of \$12,949 beginning in 2006 and continuing through 2011, \$2,704 for 2012 and 2013, and \$5,265 from 2014 through 2042.

Also under the contract and amendments the District negotiated its water supply repayment obligation to a fixed contract amount. Per the contract the District's repayment obligation for the water supply is payable in two equal semi-annual payments on April 1 and November 1. Per the amendments the District shall make base water supply payments of \$5,122 beginning in 2006 and continuing through 2011, \$15,367 for 2012 and 2013, and \$12,806 from 2014 through 2042. The District could also be required to repay additional sums against the water supply works costs if it is determined that they have the ability to pay. The Bureau will evaluate the District's ability to pay every five years. The District's water supply repayment obligation for the existing water supply works shall be fully satisfied at the end of the 40-year contract in the year 2042.

WEBSTER IRRIGATION DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2012

NOTE D - RETIREMENT PLAN

Effective January 1, 1998, the District adopted a Simple IRA plan covering all eligible employees. This plan provides for District matching contributions of employee contributions at a rate of up to 3% of the employees compensation.

Retirement expense was \$3,288 for the year ended December 31, 2012.

NOTE E - CAFETERIA PLAN

The District adopted a flexible benefit plan under Internal Revenue Code Section 125 "Cafeteria Plan" effective January 15, 1998. The purpose of the program is to allow employees, through a salary reduction agreement, to select their plan benefits within the guidelines of the Revenue Act of 1975.

The benefits available include cancer, disability, accident, and life insurance. All employees of the District are eligible to participate immediately upon the first day of employment.

NOTE F - RELATED PARTIES

Kirwin Irrigation District No. 1 and the Webster Irrigation District No. 4 are operating under a joint operating agreement. They share equipment, employees and management. Each District's share of equipment cost is based on a predetermined formula in the agreement.

Each Irrigation District is controlled by a separate board.

NOTE G - RISK MANAGEMENT CLAIMS AND JUDGMENTS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District carries commercial insurance for risks of loss, including property, general liability, workmen's compensation, automobile, and surety bond coverage. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. At December 31, 2012 the financial statements do not include liabilities for anticipated costs.

NOTE H - COMPLIANCE WITH KANSAS STATUTES

Minutes do not contain an adequate record of the proceedings of the Board of Directors which is in conflict with K.S.A. 13-518 and 13-2106.

WEBSTER IRRIGATION DISTRICT NO. 4

SUPPLEMENTAL SCHEDULE

DETAIL OF EXPENDITURES COMPARED WITH BUDGET

For the Year Ended December 31, 2012

<u>General Fund</u>	<u>General and Administrative</u>	<u>Operating Expense</u>	<u>Total Expenditures</u>	<u>Budget</u>	<u>Expenditures Over (Under) Budget</u>
Salaries & Wages including Payroll Taxes	\$ 30,682	\$ 83,074	\$ 113,756	\$ 130,000	\$ (16,244)
& Retirement Contributions	299	-	299	43,400	(43,101)
Health & Life Insurance	44,868	-	44,868	12,000	32,868
Insurance & Bonds	4,487	-	4,487	4,000	487
Utilities & Telephone	415	-	415	1,000	(585)
Irrigation Meeting Expense	1,827	-	1,827	2,000	(173)
Postage & Office Supplies	1,065	-	1,065	1,000	65
Directors' Fees	270	-	270	500	(230)
Attorney Fees	1,470	-	1,470	-	1,470
Audit Fees	2,946	-	2,946	500	2,446
Printing/ Miscellaneous	-	18,846	18,846	18,000	846
Motor Fuel & Oil	319	5,450	5,769	2,000	3,769
Tools & Equipment	-	-	-	6,000	(6,000)
Maintenance	-	10,693	10,693	14,000	(3,307)
Weed Spray & Other Materials	-	19,573	19,573	6,700	12,873
Dam Operations & Maintenance	-	5,193	5,193	5,000	193
Repairs	-	23,867	23,867	2,000	21,867
Supplies	-	449	449	266	183
Tags	-	75	75	1,000	(925)
Pump Power & Diversion Dam (Electricity)	-	15,367	15,367	12,806	2,561
Water Supply Contract Payment	-	2,704	2,704	-	2,704
Transfers	-	-	-	32,230	(32,230)
Adjustment for Qualifying Budget Credits	-	-	-	\$ 294,402	\$ (20,463)
	\$ 88,648	\$ 185,291	\$ 273,939		

The notes to the financial statements are an integral part of this statement.